

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4506
November 19, 2004**

R E S O L U T I O N

**(RES. W-4506), WEST WATER COMPANY (WWC). ORDER
AUTHORIZING AN OFFSET INCREASE PRODUCING ADDITIONAL
REVENUE OF \$2,493 OR 27.01%.**

SUMMARY

By Advice Letter (A.L.) No. 14, filed August 17, 2004, WWC requests \$943 additional revenue for reimbursement of its Unanticipated Repair Cost Memorandum Account (URCMA), and \$1,550 in additional revenue for Department of Health Services (DHS) mandated expenses not currently in rates.

This resolution grants a one-time increase in gross annual revenues of \$2,493 (943+1550) to offset these expenses. Each connection will be billed a total of \$118.71 that represents 27.01% of annual revenue through a \$4.95 per month surcharge for 24 months. The increase will not result in a rate of return greater than that last authorized for WWC.

BACKGROUND

WWC requested authority under §VI of General Order 96-A and §454 of the Public Utilities (PU) Code to offset an unanticipated but critical plant expense and a DHS chemical testing cost required once every three years.

WWC is a Class D water company that presently serves about 16 flat rate residential customers with 21 service connections. Located along the bank of the Russian River approximately one mile northeast of the City of Cloverdale, Sonoma County, in a small subdivision known as "West's Tract," the area is composed of residential homes. The present rates, established on September 1, 2001 pursuant to Res. W-4290, granted a General Rate Case (GRC) increase in gross annual revenues of \$3,706 or 67% for Test Year 2001.

This increase provided a 13.25% rate of return on a rate base of \$13,567 in the test year.

WWC is owned and operated by Tom W. and Lorrie Beth Johnson. The Johnsons asked for and received assistance through the Water Division's Water Branch (Branch) outreach program in preparing this offset increase request. Through this program, the Branch offers its assistance to small water utilities that do not have staff experienced in regulation.

DISCUSSION

The purpose of A. L. No. 14 is to amortize the accumulated accruals as of August 16, 2004, in the URCMA, (a pump repair of \$942.83) and the DHS three-year chemical testing, (samples submitted 5/27/04 for \$1,550.00) not covered in rates.

By Decision (D.) 92-03-093, dated March 31, 1992, all Class D water utilities were authorized to establish an URCMA to record repair costs that were not anticipated when rates were set, but are crucial to the operation of the utility. Without the emergency pump repair, the utility would have been without water.

Res. W-4327, dated March 6, 2002, authorized Class D water utilities to establish a water quality memorandum account (WQMA) for recording expenses resulting from drinking water regulation including water sampling, testing, reporting, and treatment costs not presently included in rates. Res. W-4327 also authorized Class D water utilities to request recovery of the WQMA balance by advice letter filings in accordance with General Order No. 96-A.

WWC files Annual Reports regularly and there are no outstanding Commission orders.

The utility currently has two rate schedules which it proposes to increase: Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate Service. The Branch recommends surcharging the existing schedules by \$4.95 per month for 24 months.

At the Branch's recommended rates, the bill for a typical flat rate residential customer would increase from \$36.35 to \$41.30 per month for 24 months.

NOTICE AND PUBLIC MEETING

A notice of the proposed offset rate increase was published September 22, 2004, in the Cloverdale Reveille, a newspaper of general circulation in the WWC service area. The Branch received no letters protesting the increase.

FINDINGS AND CONCLUSIONS

1. WWC experienced an unanticipated pump failure causing an unexpected expense of \$943 to restore water service.
2. WWC completed DHS-mandated three year-chemical testing expenses of \$1,550 not covered in present rates.
3. WWC should collect the surcharge of \$4.95 per month for twenty-four months beginning December 1, 2004. The increase will not place the utility over its last authorized rate of return of 13.25%.
4. The twenty-four month surcharge should be eliminated by November 30, 2006.
5. This is an uncontested matter subject to public notice and comment exclusion provided in Public Utilities Code §311 (g)(3).
6. The Commission finds after investigation by the Branch, that the increase hereby authorized is justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. West Water Company is authorized to make effective its revised Preliminary Statement (continued), Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate Service, attached as Appendix A, and concurrently to cancel its presently effective rate schedules. The effective date of the revised rate schedules shall be December 1, 2004.
2. West Water Company shall collect the twenty-four month surcharge beginning December 1, 2004.
3. The West Water Company's twenty-four month surcharge shall be terminated on November 30, 2006.
4. West Water Company is directed to maintain its balancing account to track revenues and costs as required by Public Utilities Code Section 792.5 and Resolution No. W-4467.

5. This Resolution is effective today.

I hereby certify that this resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California on November 19, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

APPENDIX A
Sheet 1

PRELIMINARY STATEMENT
(continued)

E. Symbols

Whenever tariff sheets are refilled, changes will be identified by the following symbols:

- (C) To signify changed listing, rule, or condition which may affect rates or charges.
- (D) To signify discounted materials, including listing, rate, rule, or condition.
- (I) To signify increase.
- (L) To signify material relocated from or to other part of tariff schedules with no change in text, rate, rule, or condition.
- (N) To signify new materials including listing, rate, rule, or condition.
- (R) To signify reduction.
- (T) To signify change in wording of text but not change in rate, rule, or condition.

F. Unanticipated Repair Cost Memorandum Account (URCMA)

1. Purpose: The purpose of the URCMA to record repair costs that (N)
were unanticipated when rates were set but are crucial to the |
operation of the utility. The balance in the URCMA will be |
recovered in rates after CPUC review and audit of the recorded |
URCMA balance. (N)

APPENDIX A
Sheet 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

West's Tract and vicinity, Preston, Sonoma County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rate:	
All Water used per 100 cu.ft.....	\$ 0.528
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 25.93
For 3/4-inch meter	25.93
For 1-inch meter.....	38.89
For 1-1/2 inch meter.....	64.82
For 2-inch meter.....	129.65

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
2. A 24-month charge of \$4.95 per flat rate residential unit shall be collected (N)
for the period of December 1, 2004 through November 30, 2006, in
accordance with Resolution W-4327, dated March 6, 2002, to recover
the operating costs of fees imposed by the Department of Health Services
and by Decision 92-03-093, dated March 31, 1992, to establish an
Unanticipated Repair Cost Memorandum Account (URCMA) to record
repair costs that were unanticipated when rates were set but are crucial
to the operation of the utility. (N)

APPENDIX A
Sheet 3

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential service furnished on a flat rate basis.

TERRITORY

West's Tract and vicinity, Preston, Sonoma County.

RATES

	Per Residential Unit Per Month
For a single-family residential unit.....	\$36.65

SPECIAL CONDITIONS

1. The above residential flat rate applies to service connections not larger than one-inch in diameter.
2. A meter shall be installed at the option of the utility, in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. A 24-month charge of \$4.95 per flat rate residential unit shall be collected (N)
for the period of December 1, 2004 through November 30, 2006, in
accordance with Resolution W-4327, dated March 6, 2002, to recover
the operating costs of fees imposed by the Department of Health Services
and by Decision 92-03-093, dated March 31, 1992, to establish an
Unanticipated Repair Cost Memorandum Account (URCMA) to record
repair costs that were unanticipated when rates were set but are crucial
to the operation of the utility. (N)

(END OF APPENDIX A)